

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOTE-00 INR-05 NSAE-00 RSC-01 FAA-00 L-02 SS-15 NSC-05

/044 W

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R 102200Z DEC 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 2516

INFO GOV PAN CANAL

USCINCSO

C O N F I D E N T I A L SECTION 1 OF 2 PANAMA 7026

EO 11652: GDS

TAGS: EAIR, PFOR, PN

SUBJ: PANAMA'S POSITION IN CIVIL AIR AGREEMENT NEGOTIATIONS

REF: (A) PANAMA 6775 (B) PANAMA 6813

SUMMARY. THE DIRECTOR OF FOREIGN MINISTRY'S DEPARTMENT OF RELATIONS WITH U.S., CARLOS GARAY, IN TWO CONVERSATIONS WITH EMBASSY OFFICER, EXPRESSED GOP VIEW THAT U.S. REFUSAL TO GRANT AIR PANAMA TRAFFIC RIGHTS FOR ROUTE FROM PANAMA CITY-LOS ANGELES VIA MEXICO CITY WITH TRAFFIC RIGHTS CONSTITUTES EXCESSIVE RIGIDITY IN VIEW OF EXTENSIVE RIGHTS AND PRIVILEGES U.S. ENJOYS UNDER 1949 CIVAIR AGREEMENT AND SIGNALS THAT U.S. IS NOT TREATING PANAMA AS AN EQUAL OR WITH FAIRNESS. IF THE U.S. PERSISTED WITH THIS ATTITUDE, GARAY SAID, PANAMA WAS NOT DISPOSED TO CONTINUE PROVIDING THE U.S. THE EXTENSIVE TRANSIT AND OTHER "EXTRA TERRITORIAL" RIGHTS IT ENJOYS AND WOULD DENOUNCE THE 1949 AGREEMENT. FOR VARIOUS REASONS RADICAL NATIONALISTS WHO WOULD LIKE TO SEE RELATIONS WITH THE U.S. DETERIORATE HAVE ADVOCATED DENUNCIATION BY GOP OF THE AGREEMENT. MODERATES, INCLUDING THE ELETAS WHO CONTROL AIR PANAMA, WOULD OPPOSE SUCH DRASTIC ACTION PROVIDED THEY COULD OBTAIN ADDITIONAL BENEFITS UNDER IT. THE EMBASSY BELIEVES GOP

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IS SERIOUS IN ITS INTENT TO DENOUNCE TREATY IF IT DOES

NOT OBTAIN THE CONCESSION IT SEEKS. EVEN SHORT OF FULL DENUNCIATION PANAMA COULD TAKE ACTION TO EXPRESS ITS DISPLEASURE WITH THE AGREEMENT, INCLUDING PETTY HARASSMENT OR IMPEDING CANAL ZONE IMMIGRATION AND CUSTOMS AUTHORITIES AT TOCUMEN, LIMIT SERVICES TO U.S. AIRLINES OR CURTAIL FLIGHTS OF U.S. CARRIERS. U.S. ENJOYS EXTENSIVE RIGHTS UNDER 1949 AGREEMENT AND CONCESSION OF THE ROUTE AND ACCOMPANYING TRAFFIC RIGHTS DESIRED BY PANAMA DOES NOT APPEAR TO BE AN EXCESSIVE PRICE TO PAY FOR CONTINUATION OF THESE RIGHTS. MOREOVER, IT WOULD FURTHER STRENGTHEN THE FAVORABLE ENVIRONMENT SURROUNDING THE CANAL TREATY NEGOTIATIONS WHICH THE USG, WITH THE ASSISTANCE OF PANAMANIAN MODERATES, HAS CREATED DURING THE PAST YEAR. THE EMBASSY RECOMMENDS THAT PANAMA BE GRANTED AIR TRAFFIC RIGHTS FROM PANAMA-MEXICO CITY-LOS ANGELES WHEN THE CIVAIR TALKS RESUME DECEMBER 16. END SUMMARY.

1. DURING THE COURSE AND FOLLOWING THE RECENT (NOV. 25-27) CIVAIR CONSULTATION IN PANAMA, CARLOS GARAY, FONOFF DIRECTOR FOR US RELATIONS, ARRANGED FOR TEO MEETINGS WITH EMBASSY'S POLITICAL SECTION CHIEF. IN FIRST MEETING (WHILE TALKS WERE STILL IN PROGRESS) GARAY SAID NEGOTIATIONS WERE TAKING SERIOUS TURN AND THAT VICE FOREIGN MINISTER (OZORES), WHO HEADED GOP DELEGATION, HAD ASKED HIM TO CONVEY PANAMA'S VIEWS OF BROADER IMPLICATIONS INVOLVED IN AIR TRANSPORT AGREEMENT NEGOTIATIONS. GARAY SAID PANAMANIAN SIDE FELT USG HAD NOT RESPONDED TO SPECIFIC PROPOSALS MADE BY GOP DURING MARCH 1974 DISCUSSIONS IN WASHINGTON. INSTEAD, US NEGOTIATORS HAD PRESENTED COUNTER PROPOSALS INCLUDING A TWO-YEAR WAITING PERIOD BEFORE EXERCISING NEW ROUTE RIGHTS AND ELIMINATION OF FOREIGN CONTROL OVER AIR PANAMA. GARAY SAID LATTER CONDITION WAS IRRELEVANT SINCE PANAMA HAD 67 PERCENT OWNERSHIP IN THE LINE WHICH IT HAD DESIGNATED AND THAT THIS WAS "SUBSTANTIAL" CONTROL AS STIPULATED IN THE 1949 AIR TRANSPORT AGREEMENT.

2. GARAY ASSERTED THAT TONE AND CONTENT OF THE AGREEMENT WERE AS BAD AS THE 1903 CANAL TREATY AND THAT RIGHTS CONFIDENTIAL

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CEDED WERE HEAVILY IN FAVOR OF U.S. PANAMA HAD NOT RECEIVED RIGHTS IN 1949 BUT THIS WAS OF LITTLE IMPORTANCE WHEN PANAMA HAD NO AIRLINE TO EXERCISE THOSE RIGHTS. IN MARCH PANAMA HAD REQUESTED THREE NEW ROUTES BUT HAD NOW PARED ITS REQUEST TO ONE ROUTE (FROM PANAMA TO LOS ANGELES VIA MEXICO CITY). GARAY SAID US INFLEXIBILITY ON THIS MATTER CALLED INTO QUESTION WHETHER U.S. WAS INDEED WORKING TOWARD A NEW PARTNERSHIP RELATION WITH

PAN AM. OTHER ASPECTS OF OUR BILATERAL RELATIONS, INCLUDING THE ENVIRONMENT SURROUNDING THE CANAL TREATY NEGOTIATIONS, COULD BE ADVERSELY AFFECTED BY FAILURE TO RESOLVE THIS PROBLEM.

3. EMBOFF INTERJECTED THAT IT WAS MISTAKE TO LINK US POSITION ON CIVAIR NEGOTIATIONS TO ITS POSITION ON CANAL TREATY SINCE THESE WERE SEPARATE ISSUES. HE AGREED TO TRANSMIT GARAY'S MESSAGE TO DEPT AND U.S. CIVAIR NEGOTIATORS. HE ALSO TOLD GARAY THAT USDEL WAS OPERATING UNDER SPECIFIC INSTRUCTIONS AND THAT IT WAS UNREALISTIC TO EXPECT THAT US COULD RESPOND CONCLUSIVELY DURING CURRENT TALKS. IT WAS SUBSEQUENTLY AGREED TO RECESS CIVAIR TALKS AND TO RESUME THEM IN WASHINGTON ON DECEMBER 16.

4. AFTER USDEL DEPARTED, GARAY AND EMBOFF MET AGAIN. GARAY REITERATED IMPORTANCE WHICH GOP PLACES ON CIVAIR TALKS. EMBOFF SAID GARAY'S INSINUATION THAT CIVAIR NEGOTIATIONS COULD AFFECT BROADER PATTERN OF BILATERAL RELATIONS INCLUDING CANAL TREATY NEGOTIATIONS HAD NOT BEEN WELL RECEIVED IN WASHINGTON. GARAY DECLARED THAT GOP WOULD BE HAPPY IF ISSUE COULD BE KEPT SEPARATE FROM OTHER ISSUES, ESPECIALLY CANAL TREATY NEGOTIATIONS. HOWEVER, GOP COULD NO LONGER ACCEPT A RIGID NEGATIVE ATTITUDE BY U.S. CONCERNING PANAMA'S LEGITIMATE AND RELATIVELY MINOR REQUEST FOR AN ADDITIONAL AIR ROUTE TO U.S. HE REPEATED GOP'S VIEWS OF ONE-SIDED NATURE OF 1949 AGREEMENT INCLUDING U.S. CUSTOMS AND IMMIGRATION FACILITIES AT TOCUMEN AIRPORT AND SO-CALLED "TOCUMEN CORRIDOR." HE POINTED TO EXTENSIVE RIGHTS HELD BY TWO US AIRLINES IN PANAMA WHICH ARE PERMITTED TO TRANSIT PANAMA DISCHARGING AND PICKING UP PASSENGERS IN BOTH DIRECTIONS AND TO VARIOUS DESTINATIONS. GARAY SAID
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THAT IF U.S. REFUSED GRANT ROUTE TO LOS ANGELES WITH TRAFFIC RIGHTS FROM MEXICO CITY, PANAMA WOULD HAVE NO OTHER COURSE BUT TO DENOUNCE 1949 AIR TRANSPORT AGREEMENT. IN DOING SO GOP WOULD HAVE TO AIR THE CIRCUMSTANCES UNDER WHICH AGREEMENT WAS NEGOTIATED, ITS TEXT AND THE REASONS FOR DENOUNCING IT. THE REACTION OF THE PANAMANIAN PEOPLE TOWARDS THE U.S. WOULD BE ADVERSE. AT END OF MEETING GARAY REPEATED THAT PANAMA WOULD BE FORCED TO DENOUNCE 1949 AIR AGREEMENT IF TALKS TODO NOT REACH SATISFACTORY CONCLUSION.

5. AIR PANAMA OFFICIAL FERNANDO ELETA HAS TOLD EMBOFF THAT FOR MORE THAN A YEAR SOME PANAMANIAN OFFICIALS HAD BEEN ADVOCATING THAT GOP DENOUNCE THE 1949 AIR AGREEMENT AND THAT TORRIJOS HAD AGREED PRIOR TO THE TALKS LAST

MARCH, THAT THIS WOULD BE DONE IF PANAMA DID NOT GET CONCESSIONS. Eleta said he, foreseeing the broader consequences of such action, had withdrawn two of Air Panama's three requests for air routes to the U.S. prior to the consultations last month in order to make agreement easier. There is no question, he said, concerning the seriousness of the intent of the GOP to denounce the treaty and unless some concession is forthcoming from the U.S., those who oppose such a drastic step will have no basis for arguing against denunciation.

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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6. DENUNCIATION OF THE 1949) AGREEMENT WOULD BE A POLITICAL DECISION ENTAILING SOME PRACTICAL COST FOR PANAMA. BOTH BRANIFF AND PAN AM CONTRIBUTE TO THE BENEFITS PANAMA ENJOYS AS A NATIONAL AIR TRANSPORTATION HUB AND TOURISM CENTER. PAN AM ESTIMATES THAT SUSPENSION OF ONE DAILY 707 FLIGHT WOULD RESULT IN A LOSS OF NEARLY \$10,000 A MONTH IN REVENUES FOR TOCUMEN AIRPORT. THE DIRECTORATE OF CIVIL AERONAUTICS (DAC) IS UNDER PRESSURE NOW TO SHOW A PROFIT (TOCUMEN REVENUES WERE REPORTEDLY \$600,000 IN THE BLACK DURING THE FIRST SIX MONTHS OF 1974) BECAUSE OF NEED TO OBTAIN FROM WORLD BANK MORE FAVORABLE TERMS ON LOAN FOR NEW AIRPORT CONSTRUCTION WHICH IS UNDERWAY AND BIDS FOR WHICH HAVE EXCEEDED ESTIMATES. LOCAL PAN AM REPRESENTATIVE BELIEVES PANAMA IS MORE LIKELY TO TRY

HARASSMENT TACTICS IN RETALIATION THAN FULL DENUNCIATION OF AGREEMENT OR SUSPENSION OF SCHEDULED FLIGHTS. HARASSMENT TACTICS COULD AFFECT OPERATION OF CANAL ZONE IMMIGRATION AND CUSTOMS FACILITIES AS WELL AS SERVICES PROVIDED TO U.S. AIRLINE. FINALLY, PROVISION OF AIR TRAFFIC CONTROL FUNCTIONS BY FAA WOULD BE BROUGHT INTO QUESTION BY DENUNCIATION OF AGREEMENT.

7. THE EMBASSY BELIEVES THAT THE PANAMANIANIS ARE SERIOUS IN THEIR INTENT TO REQUEST RENEGOTIATION OF THE 1949
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AGREEMENT SHOULD THE U.S. NOT GRANT THE CONCESSION REQUESTED. FOR THE PANAMANIANIS THIS HAS BECOME A POLITICAL ISSUE AND ONE WHICH REMINDS THEM OF THEIR PAST IMPOTENCE IN DEALING WITH THE U.S. EXTREME NATIONALISTS WITHIN AND OUTSIDE THE GOP HAVE PRESSURED FOR DENUNCIATION OF THE TREATY IRRESPECTIVE OF WHETHER CONCESSIONS ARE GRANTED. SOME PRESSURES FOR DENUNCIATION OF THE TREATY ORIGINATE FROM THE CONDITIONS UNDER WHICH THE AGREEMENT WAS NEGOTIATED IN 1949. PANAMA HAD INVESTED HEAVILY IN THE CONSTRUCTION OF TOCUMEN AIRPORT, AND IN ORDER TO INSURE THE USE OF TOCUMEN BY U.S. AIRLINES, WHICH WERE THEN USING ALBROOK AIRPORT IN CANAL ZONE, PANAMA HAD TO ACCEPT THE TERMS PROPOSED BY THE U.S. WHILE THIS BACKGROUND MAY NOT APPEAR IMPORTANT TODAY, IN THE MINDS OF SOME PANAMANIAN NATIONALISTS THE AIR AGREEMENT WAS ACCEPTED UNDER DURESS, AS WAS THE 1903 CANAL TREATY, AND THEREFORE WAS AN "IMPOSED" AGREEMENT.

8. IN EMBASSY'S OPINION GRANTING PANAMA A ROUTE TO LOS ANGELES WITH AIR TRAFFIC RIGHTS FROM MEXICO CITY ENTAILS DEFINITE ADVANTAGES FOR U.S. IN FIRST PLACE IT WOULD DEFUSE EXTREMIST PRESSURES TO DENOUNCE 1949 AIR TRANSPORT AGREEMENT AND WOULD PRESERVE OUR EXTENSIVE TRANSIT RIGHTS IN PANAMA AND THE TOCUMEN CORRIDOR WITH OUR SEPARATE CUSTOMS AND IMMIGRATION FACILITIES FOR CANAL ZONE. IN ADDITION WE WOULD AVOID AN EXTREMELY UNPLEASANT CONFRONTATION AT THIS CRITICAL JUNCTURE IN US-PANAMANIAN RELATIONS. THE CONCESSION, LIKE OTHER "UNILATERAL ACTIONS" WHICH THE USG IS CONTEMPLATING IN RELATION TO THE CANAL TREATY NEGOTIATIONS, WOULD DEMONSTRATE THAT WE ARE COGNIZANT OF AND RESPONSIVE TO PANAMA'S NEEDS AND THAT WE ARE SINCERE IN THE PARTNERSHIP APPROACH. DIVIDENDS FOR U.S. WOULD COME IN CONNECTION WITH CANAL TREATY.

9. WE DO NOT CONSIDER THAT COMPETITION WHICH AIR PANAMA COULD OFFER U.S. AIRLINES IS VERY THREATENING. IT HAS ONLY THREE BOEING 727'S AND IT IS NOT IN FINANCIAL POSI-

TION TO PURCHASE ADDITIONAL EQUIPMENT. MOREOVER, BEFORE PANAMA CAN TRANSPORT PASSENGERS BETWEEN MEXICO AND LOS ANGELES, IT MUST OBTAIN THIS RIGHT FROM MEXICO. THERE-
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FORE, THE U.S. CONCESSION REMAINS SYMBOLIC AT THIS TIME AND WE HAVE NO INDICATION THAT MEXICO IS PREPARED TO GRANT PANAMA THE NEW ROUTE. IN THE MEANTIME, THE MEXICANS, NOT THE U.S. WILL BE THE OBSTACLE FOR THE PANAMANIANS.

10. CONCLUSION. THE EMBASSY RECOMMENDS THAT IN THE INTERESTS OF PRESERVING CURRENT U.S. AVIATION RIGHTS (I.E., THE 1949 AIR TRANSPORT AGREEMENT) AND OF ENHANCING THE FAVORABLE CLIMATE FOR NEGOTIATING A NEW CANAL TREATY, THE U.S. GRANT PANAMA THE ROUTE AND TRAFFIC RIGHTS IT HAS REQUESTED.

JORDEN

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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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